



October 31, 2014

To: Executive Board

Subject: **FY2013/14 Comprehensive Annual Financial Audit Report Results**

---

### **Recommendation**

Receive and file the FY2013/14 financial and compliance audit results. The Comprehensive Annual Financial Report (CAFR) including the auditor's opinions has been provided for you as a separate attachment.

### **Analysis**

The accounting firm of Crowe Horwath LLP has completed their audit of Foothill Transit's balance sheet as of June 30, 2014 and the related statements of revenues, expenses, and cash flow. The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. This audit was performed for the purpose of forming an opinion regarding Foothill Transit's financial statements.

In addition to the financial audit, Crowe Horwath LLP completed an audit of Foothill Transit's compliance with the Single Audit (Office of Management and Budget Circular [OMB] A-133 guidelines mandated by our receipt of federal funds), the Transportation Development Act, and the rules and regulations for the Los Angeles County Metropolitan Transportation Authority. The purpose of these audits is to determine compliance with all laws, regulations, contracts, and grants, including the Transportation Development Act as summarized in the "Guidelines on Auditing for Conformance" which is published by the Southern California Association of Governments.

Crowe Horwath LLP found no deficiencies for any of the above audits. This includes no recommendations or adjustments to Foothill Transit's financial statements for the fiscal year ended June 30, 2014, to properly reflect the financial position and changes in its financial position. **This is the 12<sup>th</sup> consecutive year that Foothill Transit has received a "clean" audit finding for its financial statements.**

Crowe Horwath LLP will present a review of the audit results and present the final Independent Financial and Single Audit Reports to the Executive Board on Friday, October 31, 2014.



A summary of the financial activities are as follows:

Summary of Financial Activity for Fiscal Year Ended June 30, 2014

Total farebox revenue	\$ 18,845,702
Other revenue	1,061,438
Total Operating Revenues	19,907,140
Operating expense before depreciation	65,856,952
Depreciation expense	22,180,982
Total Operating Expense	88,037,934
Operating loss	-68,130,794
Non-operating revenues	45,821,966
Other Income (expense) net	127,846
Loss before capital contributions	-22,180,982
Capital contributions	55,888,599
Change in net assets	33,707,717
Net assets at beginning of year	174,280,628
Net assets at end of year	\$ 207,988,245
Farebox recovery ratio	28.60%

Foothill Transit's working capital (current assets less current liabilities); a measure of Foothill Transit's liquidity, was \$87.48 million representing an increase of approximately \$10.42 million since last year. This is an indicator of Foothill Transit's ability to respond to an unexpected situation requiring immediate cash. A copy of the audit report is attached for your review.

Sincerely,

Michelle Caldwell  
Director of Finance

Doran J. Barnes  
Executive Director

Attachment



# **Foothill Transit**

## **Going Good Places**

West Covina, California

### Comprehensive Annual Financial Report

For the Fiscal Years Ended  
June 30, 2014 and 2013

Prepared by:  
Finance Department

Michelle Caldwell  
Director of Finance

**FOOTHILL TRANSIT**  
(A JOINT POWERS AUTHORITY)

**FOOTHILL TRANSIT**  
(A JOINT POWERS AUTHORITY)

**Comprehensive Annual  
Financial Report**

JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	iv
Organization Chart .....	v
Executive Board .....	vi
Member Agencies .....	vi
Senior Staff.....	vi
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis (Unaudited).....	3
Basic Financial Statements:	
Statements of Net Position .....	8
Statements of Revenues, Expenses, and Changes in Net Position .....	9
Statements of Cash Flows.....	11
Notes to Basic Financial Statements .....	12
 <b>STATISTICAL SECTION (Unaudited)</b>	
Net Position .....	25
Change in Net Position .....	26
Operating Revenue by Source.....	27
Nonoperating Revenues and Expenditures .....	28
Operating Expenses.....	29
Capital Assets Grant Contributions.....	30
Tax Revenues - Foothill Transit and Los Angeles County.....	31

**FOOTHILL TRANSIT**  
(A JOINT POWERS AUTHORITY)

**Comprehensive Annual  
Financial Report**

JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page Number</u>
<b>STATISTICAL SECTION (Unaudited) (Continued)</b>	
Annual Farebox and Bus Pass Revenue .....	32
Cash Fares.....	33
Outstanding Debt .....	34
Statistics for Los Angeles County .....	35
Ten Principal Employers Los Angeles County.....	36
Operating and Capital Indicators .....	37
Miscellaneous Statistics .....	38
 <b>Compliance Reports</b>	
Schedule of Expenditures of Federal Awards .....	39
Notes to Schedule of Expenditures of Federal Awards.....	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance .....	43
Schedule of Findings and Questioned Costs .....	45
Independent Auditor's Report on Compliance with the State of California Transportation Development Act and Report on Internal Control Over Compliance.....	47
Independent Auditor's Report on Compliance with the Proposition A and Proposition C Discretionary Programs and Report on Internal Control Over Compliance .....	49
Independent Auditor's Report on Compliance with the Measure R Program and Report on Internal Control Over Compliance.....	51

## **INTRODUCTORY SECTION**



# Executive Board Memorandum

**To: Executive Board**

**October 16, 2014**

**Subject: Fiscal Year 2013-14 Comprehensive Annual Financial Report**

---

It is my pleasure to present the Comprehensive Annual Financial Report of Foothill Transit for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Foothill Transit. To the best of my knowledge and belief, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of Foothill Transit's financial activities.

In addition to the financial audit, Foothill Transit is required to conduct an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditor's reports on internal control structure and compliance with applicable laws and regulations are included with this report.

**Independent Audit.** The accounting firm of Crowe Horwath LLP was selected to perform an annual independent audit of Foothill Transit's financial statements. The goal of the independent audit was to provide reasonable assurance that Foothill Transit's financial statements for the fiscal year ended June 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified ("Clean") opinion that Foothill Transit's financial statements for fiscal year ended June 30, 2014, are fairly presented in conformity with generally accepted accounting principles (GAAP). The audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements and schedules including reports specifically related to the single audit are included in this document.

**Management's Representations.** This report consists of management representations concerning Foothill Transit's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, Foothill Transit's management has established a comprehensive internal control framework designed to ensure that the assets of Foothill Transit are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of the costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Management's Discussion and Analysis.** GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A that begins on page 3, and should be read in conjunction with it.

## Executive Board Memorandum

**Reporting Entity.** Foothill Transit, a joint powers authority of 22 cities and the County of Los Angeles, is a public transit provider located in the San Gabriel and Pomona Valleys in Los Angeles County. Foothill Transit operates a fleet of 330 buses transporting 14.5 million passengers with 10.7 million vehicle service miles. The entire fleet is equipped with bicycle racks and is wheelchair accessible and 100 percent of the buses are powered by either compressed natural gas (CNG) or electricity.

Foothill Transit's investment transactions are conducted in conformance with internal investment policies and the State of California Government Code. The Executive Board has assigned the responsibility for investing to the Finance Director.

The Governing Board approves the Business Plan and Budget by June 30<sup>th</sup> of each fiscal year. The approved budget established the legal level of appropriation. The budget includes operating and capital funding to implement the policy directions contained in the previously Board adopted plans such as the Short Range Transportation Plan (S RTP).

**Local Economy.** Foothill Transit provides service in the San Gabriel and Pomona Valleys located in Los Angeles County. It has been six years since Los Angeles County experienced the upheaval of the sub-prime loans which led to a depressed housing market affecting the construction, financial and housing-related products sectors. Although growth is visible, economic recovery is still far from reaching pre-crisis prosperity. Recently, home sales, especially non-distressed sales, are beginning to increase reducing the current housing inventory; however, new home construction has not experienced these same increases. Increases in home sales are the result of available mortgage money, low home mortgage interest rates and the easing in qualifying standards. Home construction is beginning to turn the corner with home sales trending upward. Other segments of the economy, especially high tech, entertainment and tourism sectors are experiencing improvement. Many households are eager to have the latest in computers, tablets, smart phones and other mobile devices, which has contributed to the increase in consumer spending for technology products especially for high-tech manufacturers (semiconductors). The entertainment industry continues to recover with more motion pictures and commercials filmed locally, while television pilots have declined slightly. Tourism in the Los Angeles area has turned up with the additions of new hotels and with many amusement parks in the area adding new attractions. These increases have added to increases in hospitality-related jobs.

The transportation and trade industry is very extensive and is one of the prominent industries in the County of Los Angeles. International trade continues to play an important role in the economy. The San Pedro Bay ports of Los Angeles and Long Beach and Los Angeles International Airport are the largest container ports and the busiest air cargo terminals in the nation, respectively. Transportation improvements are focused on alleviating congestion problems and improving air quality in these important corridors.

The economy continues with very moderate overall growth, which is an indication the recession is over, however at its current rate it will require several years, likely as late as 2018 before the economy is at pre-recession levels. The LA County Board of Supervisors, together with the LA County Economic Development Corporation, has formulated a strategic plan to address this concern which will promote economic development while gaining competitive advantage and stimulating sustainable and stronger growth in an aggressively changing global environment.

The majority of Foothill Transit's funding is provided from Propositions A and C and Measure R, local sales taxes. While consumers still feel somewhat tentative about their economic situation, their outlook has improved prompting them to increase spending for discretionary goods. While increased spending will put upward pressure on the collection of sales taxes, the Fiscal year 2014 budget was prepared with revenues, service, and fares at current levels to balance the budget.

## Executive Board Memorandum

New capital acquisitions and/or construction projects and those carried forward from the previous year include park and ride parking structure(s), new replacement buses and the purchase of zero emission electric buses. The park and ride facilities' will allow greater utilization of current bus service potentially increasing fare revenue. The purchases of replacement buses will reduce operational expenses eliminating major repairs. The zero emission electric buses will reduce maintenance costs and eliminate all emissions currently attributed to compressed natural gas buses. Sufficient funding (grants) have been dedicated for the completion of these projects.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Foothill Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the tenth consecutive year that Foothill Transit has received this prestigious award. This certificate of award is the highest form of recognition for excellence in state and local government financial reporting.

In order to receive this award, Foothill Transit must publish an easily readable and well organized comprehensive financial report whose content conforms to the program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement for Excellence in Financial Reporting is valid for a one year period only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to determine eligibility for continued recognition.

**Acknowledgments.** The preparation of this report would not have been possible without the efficient and dedicated service of the entire Finance Department. We wish to express our sincere appreciation for the hard work and long hours that contributed to the preparation of this report. Appreciation is also extended to the Executive Board and the various departments for their cooperation and dedicated service that made it possible to produce a report of the highest standards.

Sincerely,



Michelle Caldwell  
Director of Finance



Doran Barnes  
Executive Director



# **Foothill Transit**

Going Good Places

(A Joint Powers Authority)



Government Finance Officers Association

## **Certificate of Achievement for Excellence in Financial Reporting**

Presented to

**Foothill Transit  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

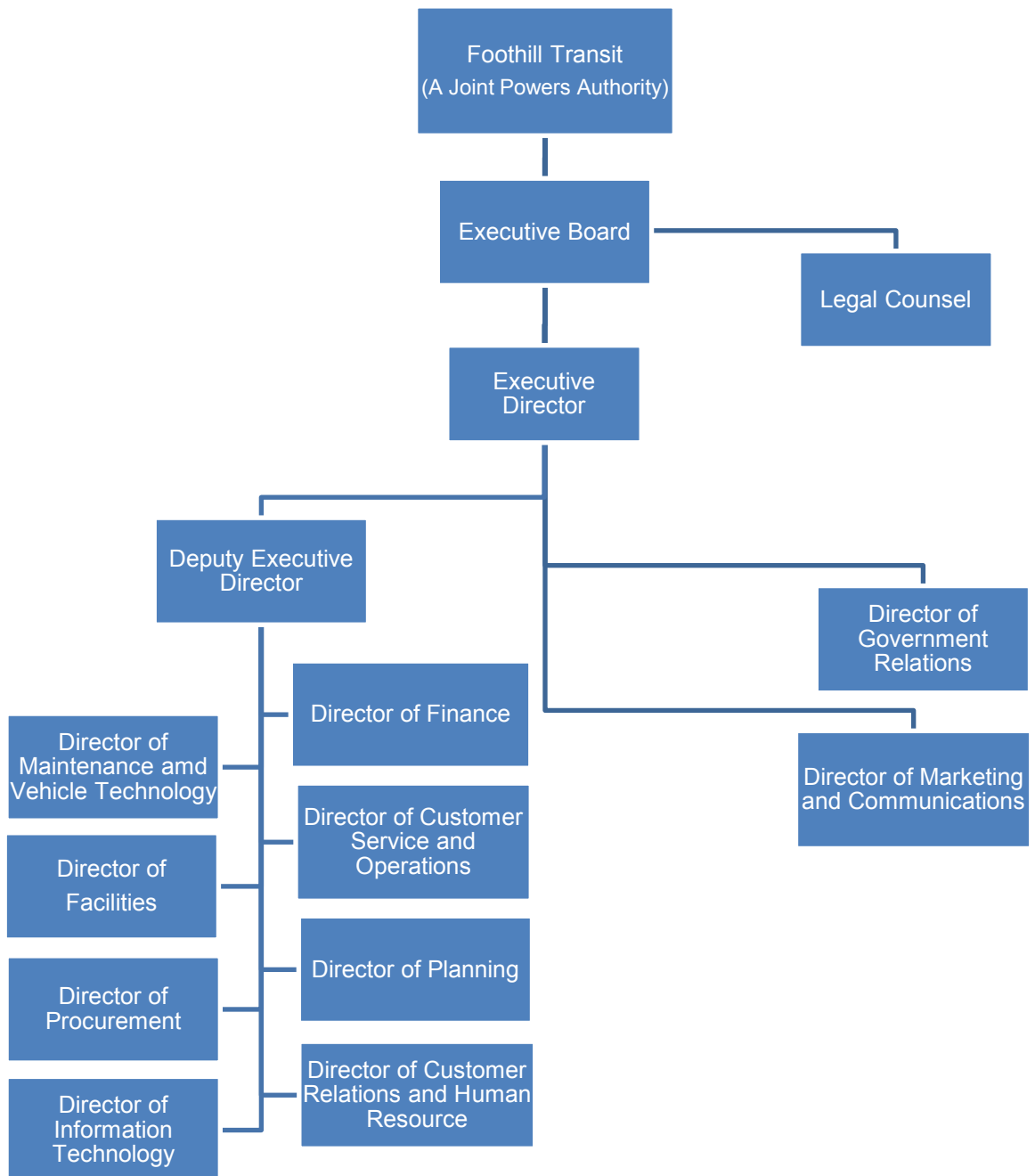
Executive Director/CEO



# Foothill Transit

Going Good Places

(A Joint Powers Authority)





# **Foothill Transit**

## **Going Good Places**

(A Joint Powers Authority)

### **Executive Board**

Doug Tessitor  
Chair

**Paula Lantz**  
Vice Chair

**Carol Herrera**  
Treasurer/  
Auditor Controller

**Becky A Shevlin**  
Member

**Michael De La Torre**  
Member

### **Member Agencies**

Arcadia  
Bradbury  
Diamond Bar  
Glendora  
La Puente  
Monrovia  
San Dimas  
Walnut

Azusa  
Claremont  
Duarte  
Industry  
La Verne  
Pasadena  
South El Monte  
West Covina

Baldwin Park  
Covina  
El Monte  
Irwindale  
Los Angeles County  
Pomona  
Temple City

### **Senior Staff**

**Doran Barnes**  
Executive Director

**Kevin McDonald**  
Deputy Executive Director

**Felicia Friesema**  
Director of Marketing and  
Communications

**LaShawn Gillespie**  
Director of Customer Service  
and Operations

**Donald Luey**  
Director of Information  
Technology

**Sharlane Bailey**  
Director of Facilities

**Joseph Raquel**  
Director of Planning

**Michelle Caldwell**  
Director of Finance

**Roland Cordero**  
Director of  
Maintenance and  
Vehicle Technology

**David Reyno**  
Director of Government  
Relations

**Bobby Magee**  
Director of  
Procurement

**Matt Mumford**  
Director of Customer Relations and Human Resource

THIS PAGE INTENTIONALLY LEFT BLANK

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Foothill Transit Authority, A Joint Powers Authority (Foothill Transit), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Foothill Transit's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothill Transit as of June 30, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foothill Transit's basic financial statements. The Schedule of Expenditures of Federal Awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* on page 39 and the Introductory and Statistical Sections from pages i through vi and pages 24 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### *Other Information*

The basic financial statements of Foothill Transit as of June 30, 2013, were audited by other auditors whose report dated August 23, 2013, expressed an unmodified opinion on those statements.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2014 on our consideration of Foothill Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foothill Transit's internal control over financial reporting and compliance.

Crowe Horwath LLP

Sherman Oaks, California  
October 16, 2014



## **Management's Discussion and Analysis** **June 30, 2014**

The following section of the annual financial report of Foothill Transit includes an overview and analysis of Foothill Transit's financial position and activities for the year ended June 30, 2014. This discussion and analysis should be considered in conjunction with the basic financial statements which it accompanies. These statements are the responsibility of the management of Foothill Transit.

### **Introduction to the Basic Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Foothill Transit presents its basic financial statements using the economic resources measurement focus and accrual basis of accounting. As a special purpose government engaged in business-type activity, Foothill Transit's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. Notes to the basic financial statements, supplementary information, and required supplementary information, including this section, support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of Foothill Transit.

**Statement of Net Position:** The Statement of Net Position includes all assets and liabilities of Foothill Transit, with the difference between the two reported as net position. Assets and liabilities are reported on an accrual basis at cost or fair value, as applicable, as of June 30, 2014 and 2013. This statement also identifies major categories of restrictions on the net position of Foothill Transit.

**Statement of Revenues, Expenses, and Changes in Net Position:** The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred by Foothill Transit during the years ended June 30, 2014 and 2013, on an accrual basis.

**Statement of Cash Flows:** The Statement of Cash Flows presents the changes in Foothill Transit's cash and cash equivalents for the years ended June 30, 2014 and 2013, summarized by operating, capital and noncapital financing, and investing activities. The statement is prepared using the direct method of reporting cash flows and, therefore, presents gross rather than net amounts for the years' activities.

Foothill Transit's basic financial statements can be found on pages 8 - 11 of this report.

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 12 - 23 of this report.

### **FINANCIAL HIGHLIGHTS**

- During fiscal year 2013–2014, Foothill Transit's net position increased \$33,707,617 (19.4%) from the previous year resulting from the capital asset acquisitions of \$57,997,111 and disposals of \$11,174,030, exclusive of depreciation. The capital additions were funded by federal, state, and local grants.
- In fiscal year 2013–2014, operating expenses before depreciation increased \$2,294,331 (3.6%) over the previous year. This increase was attributed primarily to increases for transit operations, professional services, and fuel. Fuel costs increased slightly by \$109,518 (1.9%) when compared to the previous fiscal year.
- Foothill Transit's assets exceeded its liabilities at June 30, 2014, by \$207,988,245 (net position). See discussion below.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Condensed Summary of Net Position**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current assets	\$ 93,790,649	\$ 85,492,303	\$ 75,412,106
Noncurrent assets, net	184,713,815	148,897,686	153,006,109
<b>Total assets</b>	<b>\$ 278,504,464</b>	<b>\$ 234,389,989</b>	<b>\$ 228,418,215</b>
Current liabilities	6,315,020	8,428,091	9,036,205
Noncurrent liabilities	64,201,199	51,681,270	42,624,196
<b>Total liabilities</b>	<b>\$ 70,516,219</b>	<b>\$ 60,109,361</b>	<b>\$ 51,660,401</b>
Net position:			
Net investment in capital assets	184,713,815	148,897,686	152,006,109
Unrestricted:			
Board designated - capital projects	23,274,430	25,382,942	24,751,705
<b>Total net position</b>	<b>\$ 207,988,245</b>	<b>\$ 174,280,628</b>	<b>\$ 176,757,814</b>

Foothill Transit's net position exceeded liabilities by \$207,988,245 as of June 30, 2014. Most of this amount is attributable to Foothill Transit's \$184,713,815 net investment in capital assets (property, plant, and equipment). Foothill Transit uses capital assets to provide transportation services; consequently, these assets are not available for future spending. These capital assets were procured with federal, state, and local grant funds. The remaining unrestricted net position totaled \$23,274,430 and represent amounts that are designated for future capital projects.

Foothill Transit's net position increased by \$33,707,617 during fiscal year 2013-2014. This increase is primarily due to the addition of capital assets funded with capital grant revenues.



**Management's Discussion and Analysis**  
**June 30, 2014**

**Condensed Summary of Revenues, Expenses and Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 19,907,140	\$ 19,550,489	\$ 19,585,484
Operating grants	45,821,966	43,775,320	43,206,876
Other revenues (expenses)	127,846	236,812	(375,067)
Total revenues	<u>65,856,952</u>	<u>63,562,621</u>	<u>62,417,293</u>
Operating expenses:			
Operating expenses before depreciation	65,856,952	63,562,621	62,614,618
Depreciation	<u>22,180,982</u>	<u>18,971,618</u>	<u>17,632,250</u>
Total operating expenses	<u>88,037,934</u>	<u>82,534,239</u>	<u>80,246,868</u>
Loss before capital grants	(22,180,982)	(18,971,618)	(17,829,575)
Capital grants	<u>55,888,599</u>	<u>16,494,432</u>	<u>17,269,306</u>
Change in net position	<u>33,707,617</u>	<u>(2,477,186)</u>	<u>(560,269)</u>
Net position at beginning of year	<u>174,280,628</u>	<u>176,757,814</u>	<u>177,318,083</u>
Net position at end of year	<u>\$ 207,988,245</u>	<u>\$ 174,280,628</u>	<u>\$ 176,757,814</u>

**Revenues**

Operating revenues increased \$356,651 (1.8%) over 2013. This increase is due to a slight increase in ridership. Operating grant revenues increased \$2,046,646 and capital grant revenues increased \$39,394,167. These grant revenues subsidized Foothill Transit's operating and capital expenses. Because Foothill Transit requires subsidies to fund operating and capital expenses in excess of operating revenues, any increases or decreases in unfunded expenses will also require an increase or decrease in related grant funding. The increase in capital grant contributions was related to the acquisition of 64 CNG buses, 12 electric buses, and completion of City of Industry park and ride lot. During the previous fiscal year, Foothill Transit capital acquisitions were \$16,494,432.

**Operating Expenses**

Total operating expenses before depreciation increased \$2,294,331 (3.6%). Transit Operations costs increased \$2,262,883 due to increased service for a pilot bus line to the City of Industry and due to contractor's annual operating increases. In addition, fuel costs increased \$109,518. The \$682,496 increase in Professional Services is due to consulting fees for the Comprehensive Operational Analysis.



## Management's Discussion and Analysis June 30, 2014

### CAPITAL ASSETS

At the end of the current fiscal year, Foothill Transit had \$184,713,815 invested in capital assets (net of accumulated depreciation). This represents a 24.0% increase over the previous fiscal year. These assets include land, facilities, transit buses, other operating equipment, vehicles, and furniture and fixtures identified below. Depreciation expense increased \$3,209,695, which is attributable to the age of the bus fleet.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Land	\$ 10,132,713	\$ 10,132,713	\$ -	0.00%
Construction in progress	1,360,515	12,142,848	(10,782,333)	-88.80%
Facilities	64,491,126	54,417,897	10,073,229	18.51%
Transit buses	95,082,254	55,929,598	39,152,656	70.00%
Other operating equipment	13,081,656	15,686,532	(2,604,876)	-16.61%
Vehicles	491,682	495,397	(3,715)	-0.75%
Furniture and fixtures	73,869	92,701	(18,832)	-20.31%
Total capital assets, net	<u>\$ 184,713,815</u>	<u>\$ 148,897,686</u>	<u>\$ 35,816,129</u>	<u>24.05%</u>

All assets have been purchased with federal, state, or local grants awarded to Foothill Transit. Significant capital projects with activity during fiscal years 2014 and 2013 include the following:

- Bus Fleet Replacement
- City of Industry Park and Ride Facilities
- City of Azusa Park and Ride Facilities
- Bus and Facility Surveillance/Safety Equipment
- Solar Power Projects - Arcadia & Pomona
- Park and Ride Facilities
- Fare Collection Equipment
- Bus Cooling System retrofit

More detailed information about Foothill Transit's capital assets can be found in Note 6 in the accompanying notes to basic financial statements.

### LONG TERM DEBT

At the end of the current fiscal year Foothill Transit had no long-term debt.



### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The budget for fiscal year 2014/2015 assumes economic conditions will remain unchanged, neither an improvement nor decline for Los Angeles County. With some sectors of the economy experiencing improvements and others uncertainty, it is difficult to pin point when the economy will fully recover from the current recession. Most experts agree the economy is improving but full employment may be three to five years into the future. Unlike previous recessions, jobs have been permanently eliminated making it impossible for unemployed workers to return to their previous jobs.

Foothill Transit's single largest revenue source, sales tax, representing more than 60 percent of the fiscal year revenue is dependent upon consumer demand which is increasing, however at a very slow pace. The main economic factors affecting Foothill Transit's financial capacity to deliver transportation programs and projects include the following:

- Economic conditions influencing local sales tax revenue
- Capital grant revenue availability
- Fuel and operation cost

These factors were considered when preparing the Foothill Transit fiscal year 2014/2015 budget. A review of current fares and service levels were completed during fiscal year 2013/2014 to determine if adjustments were needed to prepare a balanced budget for fiscal year 2014/2015. While no adjustments were required, the adjustments implemented in FY 2010/2011 (service levels adjustments and a fare increase) have served Foothill Transit well allowing for the preparation of a balanced FY 2014/2015 budget.

### **FURTHER INFORMATION**

This report has been designed to provide a general overview of Foothill Transit's financial condition and related issues. For those with an interest in Foothill Transit's finances, inquiries should be directed to the Finance Director, 100 South Vincent Avenue, Suite 200, West Covina, CA 91790.



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Statements of Net Position  
June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 84,587,199	\$ 76,183,009
Due from other governmental agencies	5,976,959	5,231,772
Receivables	2,582,675	1,749,714
Interest receivable	8,258	6,098
Prepaid items	635,558	2,321,710
Total current assets	93,790,649	85,492,303
Noncurrent assets:		
Capital assets - nondepreciable	24,087,434	22,275,561
Capital assets	315,548,330	270,537,122
Less accumulated depreciation and amortization	(154,921,949)	(143,914,997)
Total noncurrent assets	184,713,815	148,897,686
Total assets	\$ 278,504,464	\$ 234,389,989
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,315,020	\$ 8,428,091
Total current liabilities	6,315,020	8,428,091
Noncurrent liabilities:		
Unearned revenue	64,201,199	51,681,270
Total noncurrent liabilities	64,201,199	51,681,270
Total liabilities	70,516,219	60,109,361
Net position:		
Net investment in capital assets	184,713,815	148,897,686
Unrestricted	23,274,430	25,382,942
Total net position	207,988,245	174,280,628
Total liabilities and net position	\$ 278,504,464	\$ 234,389,989

See notes to financial statements

# FOOTHILL TRANSIT

(A Joint Powers Authority)

Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2014 and 2013

	2014	2013
<b>Operating revenues:</b>		
Farebox and bus pass	\$ 18,845,702	\$ 18,441,434
Special services	259,313	254,517
Dial-A-Ride	699,493	714,543
Liquidated damages	-	33,000
Other revenue	102,632	106,995
Total operating revenues	19,907,140	19,550,489
<b>Operating expenses:</b>		
Operating expenses before depreciation:		
Transit operations	47,199,412	44,936,529
Fuel costs	5,944,334	5,834,816
Management	6,973,601	7,927,140
Special services	144,953	168,930
Dial-A-Ride	687,442	702,729
Professional services	1,870,397	1,187,901
Advertising	401,793	397,940
General and administrative	2,635,020	2,406,636
Operating expenses before depreciation	65,856,952	63,562,621
Depreciation expense	22,180,982	18,971,618
Total operating expenses	88,037,934	82,534,239
Operating loss	(68,130,794)	(62,983,750)
<b>Operating grants:</b>		
Proposition A Formula Subsidy	13,483,956	13,026,271
Proposition A Bus Service Continuation Program	4,299,276	4,011,067
Proposition C Transit Service Expansion – Line 690	307,992	302,245
Proposition C Base Restructuring	1,848,204	1,813,737
Proposition C BSIP – Overcrowding Relief	860,472	844,426
Proposition C 5% Transit Security	790,644	708,594
Measure R	8,360,312	7,886,309
Congestion Mitigation and Air Quality (CMAQ)	2,189,437	506,488
Air Quality and Management District (AQMD)	210,000	-
FTA Section 5307 Preventive Maintenance	163,933	-
STA operations	3,913,272	4,890,137
Transportation Development Act – Operating Grant Portion	9,394,468	9,786,046
Total operating grants	45,821,966	43,775,320

See notes to financial statements

# FOOTHILL TRANSIT

(A Joint Powers Authority)

Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2014 and 2013

	2014	2013
<b>Other income (expense):</b>		
Interest income	\$ 113,695	\$ 101,057
Rental income	379,485	376,894
Property management expense	(520,854)	(561,858)
Gain on disposal of assets	155,520	320,719
Total other income, net	127,846	236,812
Total operating grants and other income, net	45,949,812	44,012,132
Loss before capital grants	(22,180,982)	(18,971,618)
<b>Capital grants:</b>		
Proposition C 5% Transit Security	2,441	-
Proposition C Call for Projects	59,383	135,138
Proposition C MOSIP	9,548,053	2,443,587
AQMD – MSRC	85,392	-
FTA Section 5307	32,517,076	1,636,647
FTA Section 5307 ARRA	543,572	513,794
FTA Section 5309	1,108,988	5,446,236
FTA Section 5309-Tigger II	10,170,000	-
Homeland security	-	1,082,205
Proposition 1B	775,551	4,624,005
Transportation Development Act – Capital Grant Portion	1,078,143	412,909
Other	-	199,911
Total capital grants	55,888,599	16,494,432
<b>Change in net position</b>	33,707,617	(2,477,186)
<b>Net position at beginning of year</b>	174,280,628	176,757,814
<b>Net position at end of year</b>	<u>\$ 207,988,245</u>	<u>\$ 174,280,628</u>

See notes to financial statements

**FOOTHILL TRANSIT**  
(A Joint Powers Authority)  
Statements of Cash Flows  
Years ended June 30, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 18,795,772	\$ 18,656,729
Cash received from liquidated damages	-	16,855
Cash received from other revenue	102,632	106,995
Cash paid for transit operations	(49,146,026)	(47,081,025)
Cash paid for fuel costs	(6,246,434)	(5,010,217)
Cash paid for management	(6,533,528)	(7,994,140)
Cash paid for special services	(259,313)	(168,930)
Cash paid for Dial-a-Ride	(696,629)	(717,620)
Cash paid for professional services	(1,921,535)	(1,050,026)
Cash paid for advertising	(422,268)	(371,609)
Cash paid for general and administrative services	(1,629,711)	(2,471,764)
Net cash used in operating activities	(47,957,039)	(46,084,752)
<b>Cash flows from noncapital financing activities:</b>		
Operating grants	57,682,081	50,227,493
Net cash provided by noncapital financing activities	57,682,081	50,227,493
<b>Cash flows from capital and related financing activities:</b>		
Cash received from capital grants	55,176,586	19,874,056
Purchase of capital assets	(56,623,124)	(13,909,786)
Principal paid on capital leases	-	(1,000,000)
Proceeds from sale of capital assets	155,520	320,719
Proceeds from rental property	379,485	376,894
Rental property expense	(520,854)	(561,858)
Net cash provided by (used in) capital and related financing activities	(1,432,387)	5,100,025
<b>Cash flows from investing activities:</b>		
Purchases of investments	(7,242,776)	(8,736,978)
Sales of investments	8,736,978	8,986,787
Interest received	111,535	99,415
Net cash provided by investing activities	1,605,737	349,224
<b>Net increase in cash and cash equivalents</b>	9,898,392	9,591,990
<b>Cash and cash equivalents at beginning of year</b>	67,446,031	57,854,041
<b>Cash and cash equivalents at end of year (Note 3)</b>	\$ 77,344,423	\$ 67,446,031
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (68,130,794)	\$ (62,983,750)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	22,180,982	18,971,618
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(1,580,307)	(215,130)
Decrease (increase) in prepaid items	1,686,151	(2,256,860)
(Decrease) increase in accounts payable and accrued liabilities	(2,113,071)	399,370
Total adjustments	20,173,755	16,898,998
Net cash used in operating activities	\$ (47,957,039)	\$ (46,084,752)
<b>Non-cash investing and financing activities:</b>		
Gain (Loss) on disposal of assets	155,520	320,719

See notes to financial statements



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 1: Organization

Foothill Transit was established in 1988 as a governmental entity under a joint exercise of powers agreement and currently includes 22 cities in the San Gabriel Valley and the County of Los Angeles. Foothill Transit's governing board membership includes one city council member and one alternate from each of the 22 cities in Foothill Transit's service area as well as three appointed representatives for the County of Los Angeles. A five member Executive Board governs Foothill Transit. Four elected officials representing four clusters of cities, and a fifth member elected by the appointed Los Angeles County representatives, comprise Foothill's Executive Board. Through its independent service contractors, Foothill Transit operates a fleet of 330 buses from its Arcadia and Pomona, California facilities. Foothill Transit has been authorized by the Regional Transportation Planning Agency, the Los Angeles County Metropolitan Transportation Authority (LACMTA), to plan, operate, and contract for cost-effective public transit services.

Foothill Transit is a joint powers authority managed by a staff of transportation professionals with transit operations services provided by independent contractors. Substantially all insurable risks associated with Foothill Transit's operations are covered through these contracts.

### Note 2: Summary of Significant Accounting Policies

#### a. Basis of Presentation

The accounting policies of Foothill Transit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund for financial reporting purposes. Enterprise funds are used to account for activities (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Foothill Transit accounts for its activities, which are maintained using the economic resources measurement focus on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

#### b. New Accounting Pronouncements

Foothill Transit adopted GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, which had no impact on the financial statements.

#### c. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 2: Summary of Significant Accounting Policies (Continued)

#### d. Classification of Current and Noncurrent Assets and Liabilities

Foothill Transit considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. All other assets and liabilities are considered to be noncurrent.

#### e. Cash and Cash Equivalents

For the purpose of the statement of cash flows, Foothill Transit considers cash, demand deposits and investment pools to be cash and cash equivalents.

In addition all cash invested in the state investment pool, Local Agency Investment Fund (LAIF), are stated at their fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale).

Cash and investments may or may not be restricted as to use, depending upon the specific purposes for which such assets are held.

#### f. Investments

Foothill Transit reports investment securities and similar assets held for investment purposes at fair value. Except for cash and cash equivalents, such as negotiable certificates of deposit (which are carried at face value), the fair value of substantially all such investments is based upon the published market prices of publicly traded securities.

#### g. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are expensed as utilized or incurred.

#### h. Capital Assets

Capital assets which include property, buses, vehicles, furniture and fixtures, and equipment are defined by Foothill Transit as assets with an initial value exceeding \$500 and having an estimated useful life of more than one year. Capital assets are valued at historical cost. Donated assets are valued at estimated fair value at the date of donation. Foothill Transit did not receive any donated capital assets during fiscal years 2014 and 2013. Capital assets are depreciated over their estimated useful lives using the straight-line method. The following estimated useful lives are used for Foothill's capital assets:

Facility	20 to 31.5 years
Other improvements	3 to 7 years
Transit buses and rehabilitation costs	5 to 12 years
Other operating equipment	3 to 9 years
Vehicles	5 years
Furniture and fixtures	7 years



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 2: Summary of Significant Accounting Policies (Continued)

#### i. Compensated Absences

Paid time off is available to employees for both vacation and sick leave. Vacation leave is earned according to each employee's years of service for a maximum accrual of 7.69 hours per bi-weekly payroll. It may be carried forward and it may be cashed out annually. Sick leave is earned at 3.69 hours per bi-weekly payroll or 12 days per year. Unused sick leave may be carried forward but is not available to be cashed out and is not paid out upon separation.

#### j. Unearned Revenue

Unearned revenue is composed entirely of grant funds which Foothill Transit has received in advance for operations, capital acquisition, or construction but which have not been expended and, therefore, not earned at June 30, 2014 and 2013.

#### k. Net Position

Foothill Transit's net position is classified into the following categories:

##### 1. Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

##### 2. Restricted

Net position that has external constraints placed on it by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through contribution provision of enabling legislation.

##### 3. Unrestricted

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Unlike the restricted net position, the board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The board may at any time change or eliminate amounts established for these purposes. Foothill Transit had unrestricted board designated net position of \$23,274,430 and \$25,382,942 as of June 30, 2014 and 2013.

#### l. Net position flow assumption

Sometimes Foothill Transit will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is Foothill Transit's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 2: Summary of Significant Accounting Policies (Continued)

#### m. Operating and Non-operating Grant Revenues and Expenses

Foothill Transit distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with Foothill's principal ongoing operations. The principal operating revenues are passenger fares charged for transportation services, which are recognized at the time services are performed and revenues pass through fare systems. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses, and depreciation reported on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Operating assistance grants are included as non-operating revenues in the year in which a related reimbursable expense is incurred or in unearned revenue for use in a subsequent fiscal year.

Foothill's policy is to report revenue from capital grants separately after non-operating revenues as the related expenses are incurred. Assets acquired with capital grant funds are included in capital assets. Capital grant monies received prior to an expense being incurred are recorded as unearned revenue.

#### n. Grants and Subsidies

Grant and subsidy revenues are recorded when earned. Grant sources currently include Los Angeles County Propositions A, C and Measure R, which are local sales tax initiatives passed by the voters of Los Angeles County, State Local Transportation Funds (LTF) described below and Federal Transit Administration (FTA) capital assistance and then granted out to Foothill Transit.

Foothill Transit receives grant funds from these various County, State, and Federal entities. Funds received from such entities are subject to certain required terms and conditions of the underlying grant agreements and are subject to audit by the grantor agencies. Amounts received under such grants and contractual agreements are subject to change based upon the results of such audits.

Transportation Development Act (TDA) and State Transit Assistance (STA) funds are received for both operating and capital expenses. These funds are derived from the State Local Transportation Funds (LTF) and are allocated to Foothill Transit using the regionally adopted Formula Allocation Procedures. These funds can be used for capital and operating purposes, however Foothill Transit's goal is to use them to the extent possible as a local match on federally funded capital projects.

#### o. Non-exchange Transactions

Foothill Transit recognizes all capital grants as capital contributions in the statements of revenues, expenses, and changes in net position.

## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 3: Cash, Cash Equivalents and Investments

Cash and investments at June 30, 2014 and 2013 were reported in the accompanying financial statements as follows:

	2014	2013
Cash and cash equivalents	\$ 77,344,423	\$ 67,446,031
Investments	7,242,776	8,736,978
Cash and investments	<u>\$ 84,587,199</u>	<u>\$ 76,183,009</u>

#### Deposits:

At June 30, 2014, the carrying amount of Foothill Transit's deposits was \$77,344,423 and the bank balance was \$81,158,751. The difference of \$3,814,328 represents outstanding checks and other reconciling items. At June 30, 2013, the carrying amount of Foothill Transit's deposits was \$67,446,031 and the bank balance was \$68,124,077. The difference of \$678,046 represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an Entity's deposits by pledging government securities with a value of 110% of an Entity's deposits. California law also allows financial institutions to secure the Entity's deposits by pledging first trust deed mortgage notes having a value of 150% of the Entity's total deposits.

The Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 3: Cash, Cash Equivalents and Investments (Continued)

#### Investments:

As a public agency, Foothill Transit's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Foothill Transit's statement of investment policy is approved by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Under provision of Foothill Transit's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Checking Account Demand Deposits
- Passbook Savings Account Demand Deposits
- Money Market Mutual Funds
- Local Agency Investment Fund (LAIF) Demand Deposits
- Obligations of the U.S. Government, its agencies, and instrumentalities Federal Agency obligations
- Municipal Securities (California cities and local agencies) rated "A" or better by Moody's or S&P
- Certificates of deposit
- Negotiable Certificates of Deposits, federally insured with the issuer
- Banker's Acceptances, issued by domestic or foreign banks, which are eligible for purchases by the Federal Reserve System
- Repurchase Agreements used solely for short-term investments not to exceed 30 days
- Bonds issued by any city, county, or local agency in California or by the State of California

#### Investments Authorized by Debt Agreements:

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or Foothill Transit's investment policy.

#### Investments in State Investment Pool:

Foothill Transit is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. The Fund is principally invested in obligations of federal government agencies, U.S. Treasury securities, certificates of deposit, and commercial paper. The Fund's manager considers the credit risk as minimal. The Fund is protected against fraudulent acts by the state's self-insurance program.

# FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

## Note 3: Cash, Cash Equivalents and Investments (Continued)

### Credit Risk:

Foothill Transit's investment policy limits investments in municipal securities, negotiable certificates of deposits, and banker's acceptances to those rated "A" or better and repurchase agreements and bonds to those rated in the highest category by Moody's or S&P. As of June 30, 2014 and 2013, Foothill Transit's investments did not include these types of investments. As of June 30, 2014 and 2013, Foothill Transit's investment in the State Investment Pool has not been rated by a nationally recognized statistical rating organization.

### Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2014, none of Foothill Transit's deposits or investments were exposed to custodial credit risk.

### Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the authority's investment policy limits the authority's portfolio to maturities of less than five years. Foothill Transit has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, Foothill Transit had the following investments and remaining maturities:

Investment Type:	2014		2013	
	Remaining Investment Maturities			
	Less Than 1 Year	Fair Value	Less Than 1 Year	Fair Value
Certificates of Deposit	\$ 5,245,000	\$ 5,245,000	\$ 6,739,000	\$ 6,739,000
US Treasury Notes	1,997,776	1,997,776	1,997,978	1,997,978
Total	\$ 7,242,776	\$ 7,242,776	\$ 8,736,978	\$ 8,736,978

## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 4: Due from Other Governmental Agencies

At June 30, 2014 and 2013, amounts due from other governmental agencies consist of the following and are expected to be collected within one year:

	<b>2014</b>	<b>2013</b>
Transportation Development Act - State	\$ 1,829,411	\$ 1,487,643
Section 5309-Tigger II Capital Grant - FTA	1,306,318	-
Proposition C MOSIP - LA Metro	1,269,400	781,930
State Transit Assistance - State	978,318	1,845,093
Pass Sales - LA Metro	387,023	103,915
Proposition C Call For Projects - LA Metro	116,142	175,172
Section 5307-ARRA Capital Grant - FTA	28,930	-
Proposition C - Transit Security - LA Metro	25,000	-
Section 5309 Capital Grant - FTA	24,625	-
Pass Sales - Metrolink	11,792	8,382
Section 5307 Capital Grant - FTA	-	821,751
AQMD - Clean Transportation Grant	-	7,886
	<u>\$ 5,976,959</u>	<u>\$ 5,231,772</u>

Amounts due are recorded when earned based on operating grant and capital grant revenue recognition. Management believes that no provision for an allowance was necessary at June 30, 2014 and 2013.

### Note 5: Receivables

At June 30, 2014 and 2013, receivables consist of the following and are expected to be collected within one year:

	<b>2014</b>	<b>2013</b>
Trade Receivables (Pass Sales)	\$ 2,145,129	\$ 1,393,074
TAP Sales	366,000	261,813
Merchant Services	71,546	94,827
	<u>\$ 2,582,675</u>	<u>\$ 1,749,714</u>

Receivables are recorded when earned based on operating revenue recognition. Management believes that no provision for an allowance was necessary at June 30, 2014 and 2013.

# FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

## Note 6: Capital Assets

Changes in the capital assets by category for the years ended June 30, 2014 and 2013 are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 10,132,713	\$ -	\$ -	\$ 10,132,713
Construction in progress	12,142,848	1,811,873	-	13,954,721
Total capital assets not being depreciated	22,275,561	1,811,873	-	24,087,434
Other capital assets				
Facility	85,078,361	1,367,383	-	86,445,744
Transit buses	142,668,236	52,448,701	(11,174,029)	183,942,908
Other operating equipment	41,027,835	2,218,190	-	43,246,025
Vehicles	993,833	141,040	-	1,134,873
Furniture and fixtures	768,857	9,923	-	778,780
Total other capital assets at historical cost	270,537,122	56,185,237	(11,174,029)	315,548,330
Accumulated depreciation				
Facility	(30,660,465)	(3,888,361)	-	(34,548,826)
Transit buses	(86,738,638)	(13,296,046)	11,174,029	(88,860,655)
Other operating equipment	(25,341,303)	(4,823,066)	-	(30,164,369)
Vehicles	(498,435)	(144,754)	-	(643,189)
Furniture and fixtures	(676,156)	(28,754)	-	(704,910)
Total accumulated depreciation	(143,914,997)	(22,180,981)	11,174,029	(154,921,949)
Other capital assets, net	126,622,125	34,004,256	-	160,626,381
Total capital asset, net	\$ 148,897,686	\$ 35,816,129	\$ -	\$ 184,713,815

# FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

## Note 6: Capital Assets (Continued)

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 10,132,713	\$ -	\$ -	\$ 10,132,713
Construction in progress	2,695,539	9,447,309	-	12,142,848
Total capital assets not being depreciated	12,828,252	9,447,309	-	22,275,561
Other capital assets				
Facility	83,696,116	1,382,245	-	85,078,361
Transit buses	142,853,434	146,069	(331,267)	142,668,236
Other operating equipment	37,675,032	3,352,803	-	41,027,835
Vehicles	4,692,338	511,442	(4,209,947)	993,833
Furniture and fixtures	706,422	62,435	-	768,857
Total other capital assets at historical cost	269,623,342	5,454,994	(4,541,214)	270,537,122
Accumulated depreciation				
Facility	(27,482,961)	(3,177,504)	-	(30,660,465)
Transit buses	(75,775,973)	(11,254,824)	292,159	(86,738,638)
Other operating equipment	(21,103,307)	(4,237,996)	-	(25,341,303)
Vehicles	(4,458,059)	(250,323)	4,209,947	(498,435)
Furniture and fixtures	(625,185)	(50,971)	-	(676,156)
Total accumulated depreciation	(129,445,485)	(18,971,618)	4,502,106	(143,914,997)
Other capital assets, net	140,177,857	(13,516,624)	(39,108)	126,622,125
Total capital asset, net	\$ 153,006,109	\$ (4,069,315)	\$ (39,108)	\$ 148,897,686

## Note 7: Management Contract and Transit Services Operating Agreements

### a. Management Contract

For the five years ending June 30, 2013, Veolia Transportation provided most day-to-day administrative and operational management staff of Foothill Transit based on an amended and restated agreement between Foothill Transit and Veolia Transportation dated May 7, 2008. Effective June 30, 2013, the administrative and management contract with Veolia was terminated. Management fee expenses for the year ended June 30, 2013 were \$7,676,421.

Beginning July 1, 2013, Foothill Transit became the official operating agency under the joint powers authority. Management expense for 2014 was classified as Management on the statement of revenues, expenses, and changes in net position. Total cost for management expenses for the year ended June 30, 2014 were \$6,973,601.



## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### **Note 7: Management Contract and Transit Services Operating Agreements** (Continued)

#### **b. Transit Services Operating Agreements**

Effective January 1, 2012, First Transit Services, Inc. (First Transit) was awarded a three year contract with three two year options for operating services at the Pomona Facility and on May 1, 2012, First Transit was awarded a three year contract with three two year options for operating services at the Arcadia facility. The award of the second contract resulted in having one contractor furnishing operating services for both of Foothill Transit's facilities. On a combined basis, such entities have provided performance bonds totaling approximately \$11.4 million for the protection of Foothill Transit.

Such agreements are cancelable at Foothill Transit's option if determined to be in its best interest, with or without cause. Prior to completion of the first three years of the Arcadia contract with First Transit, Foothill Transit and the Contractor agreed that it was not in the best interest of either party to continue the contract. A competitive procurement was conducted during the spring and fall of 2014 and a new contractor was selected. The transition to the new contractor will take place on October 5, 2014.

The operating contracts with First Transit at both facilities are very similar, compensating First Transit based on contractually determined rates per bus revenue mile. First Transit also receives a fixed fee for indirect overhead, eliminating rate differentials for decreases or increases in bus revenue miles. The mileage rates are subject to adjustment in June of each year based on changes in the CPI for the year ending the previous May.

Foothill Transit's related expense for service at the Arcadia Facility was \$23,948,171 and \$23,452,538 for the years ended June 30, 2014 and 2013, respectively. The Pomona service expense was \$23,251,242 and \$21,483,990 for the years ended June 30, 2014 and 2013, respectively.

### **Note 8: Commitments and Contingencies**

#### **a. Operating Lease Commitments**

Foothill Transit leases certain facilities and equipment under long-term lease agreements. Foothill Transit leases space for a Transit Store in the Puente Hills Mall. This lease was newly executed in July 5, 2013 and expires in October 2015 with renewable options for ten years. Monthly rent includes a base amount of \$2,596 plus additional charges for marketing, taxes and insurance. Currently, the additional charges total \$4,329 for a total monthly rent of \$6,925. Rent expense for the years ended June 30, 2014 and 2013, was \$97,234 and \$54,817.

#### **b. Capital Commitments**

Foothill Transit has a commitment to purchase 30 new CNG buses for a total cost of \$18,156,535 including sales taxes. Foothill Transit also has on-going construction commitments of \$172,946 for construction of Park and Ride lots.

#### **c. Legal Matters**

In the ordinary course of business, Foothill Transit is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial statements of Foothill Transit.

## FOOTHILL TRANSIT

(A Joint Powers Authority)  
Notes to Financial Statements  
June 30, 2014 and 2013

### Note 9: Operating Lease Income

Foothill Transit is the lessor in several non-cancellable operating leases for surplus office space in the administrative offices building. Two of the administrative offices building's six floors are leased. The first floor is leased to Chase Bank and the fourth floor is leased to three different entities. The historical cost of the two leased floors approximates \$5,982,412, representing one third of the building cost. At June 30, 2014 and 2013, the carrying value of the leased space was \$4,334,348 and \$4,544,439 net of accumulated depreciation of \$1,648,064 and \$1,437,973, respectively.

The future minimum lease rentals in the aggregate for each of the five succeeding fiscal years are:

<u>Year Ending June 30</u>	<u>Lease Revenue</u>
2015	\$ 359,482
2016	345,789
2017	336,261
2018	281,947
2019	<u>275,677</u>
<b>Total</b>	<u><u>\$ 1,599,156</u></u>

### Note 10: Risk Management

Foothill Transit carries commercial insurance to protect against potential losses, including coverage for the following: commercial general liability, excess liability, public officials and employee liability, computer equipment (including media and data protection), commercial property (including personal property and business income), and pollution liability (including loss remediation or legal expense coverage).

Foothill Transit also requires its contract transit operators to provide, as a contract requirement, insurance coverage naming Foothill Transit as an additional insured on their commercial general liability, automobile liability, excess liability, and workers compensation policies.

There were no reductions in coverage or claims in excess of coverage during the fiscal years ended June 30, 2014, 2013, and 2012, nor were there any claims payments made during the year or claims payable at the end of the year.

### Note 11: Subsequent Events

Effective July 1, 2014, Foothill Transit adopted a 401(a) Money Purchase Plan and a 457 Deferred Compensation Plan for employees of Foothill Transit. Contributions into the plans will begin in fiscal year 2015.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **Statistical Section**



## Statistical Section

This part of Foothill Transit's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the agency's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the agency's financial performance and well-being have changed over time.	25
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the agency's most significant local revenue sources and taxes.	31
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the agency's current levels of outstanding debt and the agency's ability to issue additional debt in the future.	34
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the agency's financial activities take place.	35
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the agency's financial report relates to the services the agency provides and the activities it performs.	37

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



## Financial Trends - Net Position

### Foothill Transit

Net Position

*Last Ten Fiscal Years*

Fiscal Year	Net Investment in Capital Assets	Unrestricted	Total Net Position
2005	\$ 118,295,964	\$ 24,512,449	\$ 142,808,413
2006	122,717,282	24,487,450	147,204,732
2007	166,066,308	23,361,221	189,427,529
2008	154,957,324	25,035,711	179,993,035
2009	166,570,890	24,794,654	191,365,544
2010	153,466,484	24,673,168	178,139,652
2011	152,768,075	24,550,008	177,318,083
2012	152,006,110	24,751,704	176,757,814
2013	148,897,686	25,382,942	174,280,628
2014	184,713,815	23,274,430	207,988,245



## Financial Trends – Change in Net Position

### Foothill Transit

Changes in Net Position  
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income (Loss)	Nonoperating Revenues/Expenses	Income/(Loss) Before Contributions	Capital Contributions	Change in Net Position
2005	\$ 15,185,794	\$ 65,312,779	\$ (50,126,985)	\$ 38,953,918	\$ (11,173,067)	\$ 33,660,688	\$ 22,487,621
2006	17,304,113	69,985,981	(52,681,868)	40,663,899	(12,017,969)	16,414,288	4,396,319
2007	17,383,615	74,196,948	(56,813,333)	43,089,186	(13,724,147)	55,946,944	42,222,797
2008	18,170,179	84,949,972	(66,779,793)	50,739,546	(16,040,247)	6,605,753	(9,434,494)
2009	18,291,655	84,782,327	(66,490,672)	49,642,554	(16,848,118)	28,220,627	11,372,509
2010	18,186,656	85,141,072	(66,954,416)	45,444,021	(21,510,395)	8,284,503	(13,225,892)
2011	18,507,098	77,336,333	(58,829,235)	41,320,176	(17,509,059)	16,687,490	(821,569)
2012	19,585,484	80,246,868	(60,661,384)	42,831,809	(17,829,575)	17,269,306	(560,269)
2013	19,550,489	82,534,239	(62,983,750)	44,012,132	(18,971,618)	16,494,432	(2,477,186)
2014	19,907,140	88,037,934	(68,130,794)	45,949,812	(22,180,982)	55,888,599	33,707,617

Source: Foothill Transit Finance Department



## Financial Trends - Operating Revenue by Source

### **Foothill Transit**

Operating Revenue by Source

*Last Ten Fiscal Years*

Fiscal Year	Farebox and Bus Pass Revenue	Special Services	Dial-A-Ride	Liquidated Damages	Other Revenue	Total
2005	\$ 13,526,456	\$ 818,588	\$ 494,524	\$ 310,577	\$ 35,649	\$ 15,185,794
2006	15,816,183	863,317	458,507	144,900	21,206	17,304,113
2007	15,837,063	910,826	470,664	89,250	75,812	17,383,615
2008	16,503,879	862,745	542,873	235,350	25,332	18,170,179
2009	16,811,793	612,964	583,902	204,050	78,946	18,291,655
2010	16,454,980	744,039	594,913	251,950	140,774	18,186,656
2011	17,238,311	386,031	667,633	124,200	90,923	18,507,098
2012	18,496,259	204,227	729,537	97,100	58,361	19,585,484
2013	18,441,434	254,517	714,543	33,000	106,995	19,550,489
2014	18,845,702	259,313	699,493	-	102,632	19,907,140

*Source: Foothill Transit Finance Department*



## Financial Trends - Nonoperating Revenues and Expenditures

### Foothill Transit

Nonoperating Revenues and Expenditures  
Last Ten Fiscal Years

Fiscal Year	Operating Grants	Interest	Gain (Loss) on Disposal of Assets	Other Expenses	Property Management	Total Nonoperating Revenue
2005	\$ 39,109,821	\$ 424,471	\$ (557,428)	\$ (22,946)	\$ -	\$ 38,953,918
2006	40,340,302	564,360	(291,667)	-	50,904	40,663,899
2007	42,462,266	670,583	(20,767)	12,480	(35,376)	43,089,186
2008	49,553,761	939,589	(20,191)	(35,491)	301,878	50,739,546
2009	48,801,545	454,230	70,373	(41,694)	358,100	49,642,554
2010	45,830,120	54,695	(746,515)	(47,137)	352,858	45,444,021
2011	41,388,504	36,145	105,429	-	(209,902)	41,320,176
2012	43,206,876	75,137	3,154	(197,324)	(256,034)	42,831,809
2013	43,775,320	101,057	320,719	-	(184,964)	44,012,132
2014	45,821,966	113,695	155,520	-	(141,369)	45,949,812

Source: Foothill Transit Finance Department



## Financial Trends - Operating Expense

### Foothill Transit

Operating Expense  
Last Ten Fiscal Years

Fiscal Year	Transit Operations	Fuel Cost	Management	Special Services	Dial-A-Ride Expenditures	Professional Services	Advertising	General & Administrative	Depreciation Expense	Total
2005	\$ 37,638,709	\$ 7,771,424	\$ 5,083,432	\$ 561,473	\$ 484,702	\$ 829,635	\$ 431,584	\$ 2,032,320	\$ 10,479,500	\$ 65,312,779
2006	39,364,590	9,764,546	5,484,579	576,080	448,361	796,178	300,446	1,611,099	11,640,102	69,985,981
2007	40,536,232	9,336,406	6,148,767	650,391	460,015	990,646	355,110	2,160,881	13,558,500	74,196,948
2008	46,832,993	11,016,127	6,290,700	513,214	531,911	1,043,942	396,868	2,340,172	15,984,045	84,949,972
2009	47,926,526	9,042,246	6,617,100	412,170	572,315	1,098,836	337,098	1,969,613	16,806,423	84,782,327
2010	45,777,304	7,300,610	6,870,100	440,220	583,545	912,625	259,169	2,455,503	20,541,996	85,141,072
2011	42,546,290	6,369,946	6,450,062	224,755	656,265	1,113,036	216,422	2,250,497	17,509,060	77,336,333
2012	44,700,314	5,899,524	7,293,707	131,384	718,033	1,264,497	318,188	2,288,971	17,632,250	80,246,868
2013	44,936,529	5,834,816	7,927,140	168,930	702,729	1,187,901	397,940	2,406,636	18,971,618	82,534,239
2014	47,199,412	5,944,334	6,973,601	144,953	687,442	1,870,397	401,793	2,635,020	22,180,982	88,037,934

Source: Foothill Transit Finance Department



## Financial Trends - Capital Assets Grant Contributions

### Foothill Transit

Capital Assets Grant Contributions

Last Ten Fiscal Years

Fiscal Year	Proposition "C"	Federal Transit Administration	State Transit Assistance	Transportation Development Act	Prop 1B/Homeland Sec/AQMD	Total
2005	\$ 11,412,603	\$ 20,515,600	\$ 672,822	\$ 1,059,663	\$ -	\$ 33,660,688
2006	2,866,959	9,127,554	43,048	3,035,718	1,341,009	16,414,288
2007	10,488,287	32,512,710	1,095,851	11,850,096	-	55,946,944
2008	626,354	2,082,899	44,645	3,136,855	715,000	6,605,753
2009	5,666,928	18,957,172	-	3,440,035	156,492	28,220,627
2010	1,319,670	6,453,233	-	337,734	173,866	8,284,503
2011	2,734,459	12,998,934	-	637,113	316,984	16,687,490
2012	5,970,133	10,618,400	120,998	113,824	445,951	17,269,306
2013	2,578,725	8,678,882	4,624,005	412,909	199,911	16,494,432
2014	9,609,877	44,339,636	775,551	1,078,143	85,392	55,888,599

Source: Foothill Transit Finance Department



## Revenue Capacity – Tax Revenues – Foothill Transit and Los Angeles County

### Foothill Transit

Tax Revenues - Foothill Transit and LA County  
Last Ten Fiscal Years (In Thousands)

Fiscal Year	Foothill Transit <sup>2</sup>							Los Angeles County <sup>1</sup>					
	TDA <sup>3</sup>	STA <sup>4</sup>	Prop "A" <sup>5</sup>	Prop "C" <sup>5</sup>	Measure "R" <sup>5</sup>	Total	% of LA County	TDA <sup>3</sup>	STA <sup>4</sup>	Prop "A" <sup>5</sup>	Prop "C" <sup>5</sup>	Measure "R" <sup>5</sup>	Total
2005	\$ 20,555	\$ 1,160	\$ 15,205	\$ 7,423	\$ -	\$ 44,343	2.91%	\$ 304,661	\$ 29,485	\$ 594,955	\$ 594,928	\$ -	\$ 1,524,029
2006	18,486	1,861	13,413	7,094	-	40,854	2.54%	317,824	54,792	619,348	619,321	-	1,611,285
2007	20,629	2,486	12,347	7,214	-	42,676	2.36%	350,835	73,293	692,044	692,233	-	1,808,405
2008	24,482	3,247	13,951	7,675	-	49,355	2.54%	377,268	80,204	743,829	743,986	-	1,945,287
2009	23,059	8,667	13,800	7,665	-	53,191	2.62%	366,790	225,465	719,109	719,309	-	2,030,673
2010	14,962	-	13,461	7,576	5,260	41,259	2.17%	280,300	-	605,884	606,135	411,953	1,904,272
2011	14,254	3,825	14,170	7,620	6,663	46,532	2.29%	297,280	62,806	557,825	525,786	589,852	2,033,549
2012	17,434	3,296	17,211	7,851	7,901	53,693	2.47%	323,557	64,853	584,632	564,068	638,260	2,175,370
2013	17,441	4,890	16,945	7,971	7,886	55,133	2.39%	323,625	67,605	634,154	639,043	644,738	2,309,165
2014	20,830	3,913	17,783	10,808	9,352	62,686	2.34%	380,801	64,145	741,639	743,472	749,228	2,679,285

Source: LA Metro funding allocations

- 1) Total LA County Transit Tax Revenues
- 2) Share of Tax Revenues Allocated to Foothill Transit through Formula Allocation Program
- 3) Transportation Development Act (TDA) 1/4% of statewide sales tax revenues allocated to Transportation
- 4) State Transit Assistance (STA) 50% of statewide gasoline taxes allocated to Public Transit
- 5) Los Angeles County sales tax measures, each 1/2% of all sales for a total of 1 1/2 % for all three



## Revenue Capacity - Annual Farebox and Bus Pass Revenue

### Foothill Transit

Annual Farebox and Bus Pass Revenue

Last Ten Fiscal Years

Fiscal Year	Cash	Passes	MetroCards <sup>1</sup>	EZ Transit Passes	Other Revenue	Total
2005	\$ 8,688,233	\$ 2,700,705	\$ 1,247,621	\$ 870,492	\$ 19,405	\$ 13,526,456
2006	9,896,655	3,478,192	1,148,722	1,263,697	28,917	15,816,183
2007	9,886,576	2,901,507	1,253,953	1,766,158	28,869	15,837,063
2008	10,643,410	3,232,105	1,306,149	1,296,241	25,974	16,503,879
2009	10,831,738	3,085,010	1,404,858	1,462,852	27,335	16,811,793
2010	10,179,166	2,777,711	1,951,048	1,518,315	28,740	16,454,980
2011	10,965,031	3,230,792	1,836,503	1,172,952	33,033	17,238,311
2012	11,328,797	3,172,065	2,325,421	1,581,058	88,918	18,496,259
2013	10,885,442	3,178,410	2,335,453	1,456,385	585,744	18,441,434
2014	10,039,652	4,112,118	2,673,097	1,387,708	633,127	18,845,702

Source: Foothill Transit Finance Department

1) Magnetic cash card (similar to cash gift card) prior to FY 08-09, thereafter smartcard technology



## Revenue Capacity - Cash Fares

### Foothill Transit

Cash Fares

Last Ten Fiscal Years

Fiscal Year	Local			SilverStreak (Local Plus)			Commuter Express		
	Adult	Senior/ Disabled <sup>1</sup>	Student <sup>2</sup>	Adult	Senior/ Disabled <sup>1</sup>	Student <sup>2</sup>	Adult	Senior/ Disabled <sup>1</sup>	Student <sup>2</sup>
2005	\$ 1.10	\$ 0.55	\$ 1.10	\$ 2.75	\$ -	\$ -	\$ 3.35	\$ -	\$ -
2006	1.00	0.50	1.00	3.00	1.50	1.50	3.50	1.75	1.75
2007	1.00	0.50	1.00	2.00	1.00	2.00	3.65	1.80	3.35
2008	1.00	0.50	1.00	2.50	1.25	2.50	4.40	4.40	4.40
2009	1.00	0.50	1.00	2.50	1.25	2.50	4.40	4.40	4.40
2010	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2011	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2012	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2013	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2014	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90

Source: Foothill Transit Finance Department

1) Includes Medicare eligible customers

2) Includes K-12 and college eligible customers

3) New Service (Silver Streak) replace Local Plus

4) Discount fare only applies to non-peak service hours of operation, (Mon-Fri 10AM - 2PM and 8PM - 4AM), full fare or \$2.75 for peak service hours.

5) Commuter Express Service is ONLY operated during peak service periods

6) Fare increase effective June 27, 2010



## Debt Capacity - Outstanding Debt

### Foothill Transit

Outstanding Debt

*Last Ten Fiscal Years*

Fiscal Year	Capital Lease	Total Debt	Annual Passengers	Debt per Passenger
2005	\$ 4,800,000	\$ 4,800,000	14,747,521	\$ 0.33
2006	4,500,000	4,500,000	14,664,799	0.31
2007	1,900,000	1,900,000	14,392,111	0.13
2008	1,600,000	1,600,000	14,561,890	0.11
2009	1,300,000	1,300,000	14,203,429	0.09
2010	1,000,000	1,000,000	14,272,436	0.07
2011	1,000,000	1,000,000	13,750,232	0.07
2012	1,000,000	1,000,000	13,860,335	0.07
2013	-	-	14,079,592	-
2014	-	-	14,522,170	-

*Source: Foothill Transit Finance Department*



## Demographic and Economic Information – Statistics for Los Angeles County

### Foothill Transit

Demographics Statistics State  
Last Ten Fiscal Years

Fiscal Year	Unemployment Rate <sup>1</sup>	Population <sup>2</sup> (000)	School Enrollment <sup>3</sup> (000)	Personal Income		Consumer Price Index <sup>5</sup>	
				Total (000)	Per Capita	Value	% Change
2005	5.20%	10,226	1,734	\$ 496,595	\$ 38,915	200.5	3.51%
2006	4.80%	10,245	1,708	536,323	42,185	212.4	5.93%
2007	4.70%	10,332	1,673	553,813	43,633	218.6	2.82%
2008	6.80%	10,364	1,649	567,707	44,462	229.0	5.40%
2009	10.80%	10,393	1,632	550,831	42,784	223.9	-2.60%
2010	11.60%	10,441	1,574	410,674	41,791	225.9	0.88%
2011	13.30%	9,858	1,590	422,584 <sup>4</sup>	43,003 <sup>4</sup>	232.3	2.90%
2012	11.10%	9,884	1,575	429,345 <sup>4</sup>	44,250 <sup>4</sup>	236.0	1.60%
2013	10.80%	9,958	1,785	420,913 <sup>4</sup>	42,564 <sup>4</sup>	238.9	1.23%
2014	8.70%	10,041	1,564	426,586 <sup>4</sup>	43,138 <sup>4</sup>	242.1	1.35%

Source: Foothill Transit Finance Department

1) Employment Development Department

2) State of California Department of Finance

3) California Department of Education

4) Data not available, amounts increased by CPI

5) US Department of Labor Statistics



## Demographic and Economic Information – Ten Principal Employers Los Angeles County

### Foothill Transit

Ten Principal Employers Los Angeles County

2011 and 2006

Employer	2011			2006		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
County of Los Angeles	95,700	2.14%	1	93,200	2.65%	1
Los Angeles Unified School District	73,300	1.65%	2	74,632	2.12%	2
Federal Government	48,100	1.08%	3	53,200	1.51%	4
City of Los Angeles	47,700	1.07%	4	53,171	1.51%	3
University of California, Los Angeles	41,000	0.92%	5	35,543	1.01%	5
Kaiser Permanente	36,500	0.82%	6	32,180	0.91%	6
State of California	30,400	0.68%	7	30,200	0.86%	7
Northrop Grumman Corp.	18,000	0.40%	8	21,000	0.60%	8
University of Southern California	16,600	0.37%	9			
Target Corp	14,200	0.32%	10			
Kroger Co. (Ralph's Grocery Co.)		0.01%		14,000	0.39%	10
Boeing		0.00%		15,825	0.45%	9
All Other Employers	4,030,100	90.53%		3,100,484	87.99%	
Total	4,451,600	95.12%		3,523,435	93.72%	

Source: Los Angeles Almanac; California Employment Development Department

1) Most current information available



## Operating Information - Operating and Capital Indicators

### Foothill Transit

Operating and Capital Indicators  
Last Ten Fiscal Years

Fiscal Year	Buses	Maintenance Facilities	Routes	Vehicle Service Hours (000)	Cost/Vehicle Service Hr.	Boarding/Vehicle Service Hr	Passengers (000)	Recovery Ratio
2005	306	2	37	743	\$ 66.06	20	14,803	25.20%
2006	306	2	37	736	77.88	21	14,889	28.30%
2007	314	2	36	741	85.93	20	14,560	24.95%
2008	314	2	36	768	87.53	20	14,974	24.55%
2009	314	2	36	767	87.20	19	14,848	25.10%
2010	316	2	35	746	85.19	19	14,437	25.95%
2011	300	2	35	671	88.63	21	13,985	29.00%
2012	314	2	39	672	83.40	21	13,909	32.39%
2013	314	2	35	687	91.97	21	14,080	29.20%
2014	330	2	35	705	92.62	21	14,522	28.91%

Source: Foothill Transit Finance Department



## Operating Information - Miscellaneous Statistics

<b>Date Formed:</b>	<b>December 1988</b>
<b>Type of Organization:</b>	<b>Joint Powers Authority</b>
<b>Membership:</b>	<b>22 Los Angeles County Cities and County of Los Angeles</b>
<b>Number of Executive Board Members:</b>	<b>5</b>
<b>Number of Employees:</b>	<b>48</b>
<b>Type of Tax Support:</b>	<b>Proposition A ½ of 1% Sales tax Proposition C ½ of 1% Sales tax Measure R ½ of 1% Sales tax</b>
<b>Service Area:</b>	<b>San Gabriel &amp; Pomona Valleys, Los Angeles County, CA</b>
<b>Contract services provided by:</b>	<b>Transit Stores and Facilities Bus Operations Veolia Transportation First Transit, USA</b>
<b>Number of Buses in Fleet:</b>	
Compressed Natural Gas Powered	<b>315</b>
Electric Powered	<b>15</b>
<b>Operational and Maintenance Facilities</b>	<b>2</b>
<b>Sales Outlets (Transit Stores:</b>	<b>5</b>
<b>Bus Routes/Lines:</b>	
Express	<b>8</b>
Local	<b>27</b>
<b>Bus Stops</b>	<b>3,200</b>
<b>Annual Service Hours (1)</b>	<b>705,570</b>
<b>Annual Passengers (1)</b>	<b>14,522,170</b>
<b>Average Weekday Boardings (1)</b>	<b>48,552</b>

Source: Foothill Transit Finance Department  
1) Fiscal year 2013-14

# **Compliance Report**

# FOOTHILL TRANSIT

(A Joint Powers Authority)

## Schedule of Expenditures of Federal Awards Year ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct Programs			
Federal Transit Administration:			
Federal Transit Cluster:			
Section 5309 - Capital Investment Grant	20.500	CA-04-0093	\$ 1,097,877
	20.500	CA-04-0253	11,111
			<u>1,108,988</u>
Section 5307 - Formula Grant (ARRA) - Capital	20.507	CA-96-X010	543,572
Section 5307 - Formula Grant (ARRA) - Operating	20.507	CA-96-X010	163,933
Section 5307 - Formula Grant	20.507	CA-90-Y987	22,410,961
	20.507	CA-90-Y797	2,570,766
	20.507	CA-95-X138	2,189,437
	20.507	CA-90-Z070	7,535,349
			<u>35,414,018</u>
Total Federal Transit Cluster			<u>36,523,006</u>
Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) and Clean Fuels Grant Program	20.523	CA-88-X002	<u>10,170,000</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 46,693,006</u></b>

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance



## **FOOTHILL TRANSIT**

(A Joint Powers Authority)

### **Notes to Schedule of Expenditures of Federal Awards Year ended June 30, 2014**

#### **Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

##### **a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by Foothill Transit that are reimbursable under federal programs of the federal financial assistance. For the purpose of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly for a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

##### **b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recognized when incurred. Expenditures are incurred when Foothill Transit becomes obligated for payment as a result of the receipt of related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foothill Transit as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Foothill Transit's basic financial statements, and have issued our report thereon dated October 16, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Foothill Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foothill Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Foothill Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Sherman Oaks, California  
October 16, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

**Report on Compliance for Each Major Federal Program**

We have audited Foothill Transit's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Foothill Transit's major federal programs for the year ended June 30, 2014. Foothill Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Foothill Transit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Foothill Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Foothill Transit's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Foothill Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Sherman Oaks, California  
October 16, 2014

# FOOTHILL TRANSIT

(A Joint Powers Authority)

## Schedule of Findings and Questioned Costs June 30, 2014

### SECTION 1 - SUMMARY OF AUDITORS' RESULTS

#### **Financial Statements:**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

#### **Federal Awards:**

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of  
OMB Circular A-133?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA 20.500 / 20.507 – Federal Transit Cluster (including ARRA on 20.507)  
CFDA 20.523 – Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) and  
Clean Fuels Grant Program

Dollar threshold used to distinguish type A and B programs:

\$ 1,400,790

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No



## **FOOTHILL TRANSIT**

(A Joint Powers Authority)

### **Schedule of Findings and Questioned Costs June 30, 2014**

#### **SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

#### **SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A):**

None

#### **SECTION 4 – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE STATE OF CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

**Report on Compliance with State of California Transportation Development Act**

We have audited Foothill Transit's compliance with the types of compliance requirements described in the Transportation Development Act Conformance Auditing Guide (Guide) published by the Los Angeles County Metropolitan Transportation Authority (LACMTA), the Memorandum of Understanding for Proposition 1B Transit Security Bridge Funding, Public Transportation Modernization, Improvement, and Service Enhancement Account Guidelines (PTMISEA), and Proposition 1B Transit Modernization Bridge Funding by and between LACMTA (Collectively "Transportation Development Act"), that could have a direct and material effect on Foothill Transit's compliance with the State of California Transportation Development Act for the year ended June 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the State of California Transportation Development Act.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Foothill Transit's Transportation Development Act program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Transportation Development Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act program. An audit includes examining, on a test basis, evidence about Foothill Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Transportation Development Act programs. However, our audit does not provide a legal determination of Foothill Transit's compliance.

## ***Opinion on the Transportation Development Act Program***

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Transportation Development Act program for the year ended June 30, 2014.

## **Report on Internal Control over Compliance**

Management of Foothill Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on Transportation Development Act programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the Transportation Development Act programs and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Transportation Development Act programs will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Transportation Development Act program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

Sherman Oaks, California  
October 16, 2014

Crowe Horwath LLP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE PROPOSITION A  
AND PROPOSITION C DISCRETIONARY PROGRAMS, AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

**Report on Compliance with Proposition A and Proposition C Discretionary Programs**

We have audited Foothill Transit's compliance with the types of compliance requirements described in the Proposition A and Proposition C Local Return Guidelines and the Memorandums of Understanding for Proposition A 40% Discretionary Grant Funds and Proposition C 40% Discretionary Funds approved by Los Angeles County Metropolitan Transportation Authority (LACMTA) (Collectively "Proposition A and Proposition C Discretionary Programs"), that could have a direct and material effect on Foothill Transit's compliance with Proposition A and Proposition C Discretionary Programs for the year ended June 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to Proposition A and Proposition C Discretionary Programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Foothill Transit's Proposition A and Proposition C Discretionary Programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Proposition A and Proposition C Discretionary Programs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Discretionary Programs. An audit includes examining, on a test basis, evidence about Foothill Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Proposition A and Proposition C Discretionary Programs. However, our audit does not provide a legal determination of Foothill Transit's compliance.

## ***Opinion on the Proposition A and Proposition C Discretionary Programs***

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A and Proposition C Discretionary Programs for the year ended June 30, 2014.

## **Report on Internal Control over Compliance**

Management of Foothill Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on Proposition A and Proposition C Discretionary Programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the Proposition A and Proposition C Discretionary Programs and to test and report on internal control over compliance in accordance with the Proposition A and Proposition C Discretionary Programs, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Proposition A and Proposition C Discretionary Programs on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Proposition A and Proposition C Discretionary Programs will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Proposition A and Proposition C Discretionary Programs that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Proposition A and Proposition C Discretionary Programs. Accordingly, this report is not suitable for any other purpose.

Sherman Oaks, California  
October 16, 2014

Crowe Horwath LLP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE  
MEASURE R PROGRAM, AND REPORT AND ON INTERNAL  
CONTROL OVER COMPLIANCE**

To the Board of Directors  
Foothill Transit (A Joint Powers Authority)  
West Covina, California

**Report on Compliance with Measure R Program**

We have audited Foothill Transit's compliance with the types of compliance requirements described in Measure R Local Return Guidelines issued by Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Memorandum of Understanding Article 4 – Audit and Reporting Requirements by and between LACMTA (Collectively "Measure R Program"), that could have a direct and material effect on Foothill Transit's compliance with the Measure R Program for the year ended June 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Measure R Program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Foothill Transit's Measure R Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Measure R Program. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Measure R Program. An audit includes examining, on a test basis, evidence about Foothill Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Measure R Program. However, our audit does not provide a legal determination of Foothill Transit's compliance.

### ***Opinion on the Measure R Program***

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Measure R Program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Foothill Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure R Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the Measure R Program and to test and report on internal control over compliance in accordance with the Measure R Program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Measure R Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Measure R Program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Measure R Program. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Sherman Oaks, California  
October 16, 2014